

# **EXHIBIT 10**



**Investor Presentation**

*Confidential*



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THE SECURITIES DESCRIBED IN THESE MATERIALS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OR ANY OTHER APPLICABLE LAW OF THE UNITED STATES.

NEITHER THE SECURITIES EXCHANGE COMMISSION, ANY STATE SECURITIES REGULATORS, THE MINISTER OF FINANCE AND THE REGISTRAR OF COMPANIES IN THE CAYMAN ISLANDS, THE CAYMAN ISLANDS MONETARY AUTHORITY NOR ANY OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THESE MATERIALS OR DETERMINED IF THESE MATERIALS ARE ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE MATERIALS HAVE BEEN SENT TO YOU AT YOUR REQUEST. THESE MATERIALS ARE STRICTLY CONFIDENTIAL, ARE INTENDED SOLELY FOR THE PERSON TO WHOM IT HAS BEEN SENT DIRECTLY FROM THE COMPANY, AND MAY ONLY BE USED IN CONNECTION WITH YOUR CONSIDERATION OF A POTENTIAL PARTICIPATION IN THE OFFERING DESCRIBED IN THE OFFERING MEMORANDUM. NEITHER THESE MATERIALS NOR ANY OTHER INFORMATION REGARDING THE ISSUER OR ANY OFFERING MAY BE DISTRIBUTED TO ANY OTHER PERSON OR USED FOR ANY OTHER PURPOSE.

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# Notice

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PRESENTATION MATERIAL. NEITHER WE NOR THE INITIAL PURCHASER HAVE AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION DIFFERENT FROM THAT CONTAINED IN THIS PRESENTATION MATERIAL. WE ARE OFFERING TO SELL, AND SEEKING OFFERS TO BUY, OUR COMMON SHARES ONLY IN JURISDICTIONS WHERE SUCH OFFERS AND SALES ARE PERMITTED. THE INFORMATION CONTAINED IN THIS PRESENTATION MATERIAL IS ACCURATE ONLY AS OF THE DATE OF THIS PRESENTATION MATERIAL, REGARDLESS OF THE TIME OF DELIVERY OF THIS PRESENTATION MATERIALS OR OF ANY OFFER OR SALE OF OUR COMMON SHARES, AND WE EXPRESSLY DISCLAIM ANY DUTY TO UPDATE THIS PRESENTATION MATERIAL.

## NOTICE TO RESIDENTS OF FLORIDA

THE FLORIDA SECURITIES ACT PROVIDES, WHERE SALES ARE MADE TO FIVE OR MORE PERSONS IN FLORIDA, THAT ANY SALE MADE PURSUANT TO SUBSECTION 517.061(11) OF THE FLORIDA SECURITIES ACT SHALL BE VOIDABLE BY SUCH FLORIDA PURCHASER EITHER WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY SUCH PURCHASER TO THE ISSUER, AN AGENT OF THE ISSUER, OR AN ESCROW AGENT, OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO SUCH PURCHASER, WHICHEVER OCCURS LATER.

## NOTICE TO RESIDENTS OF NEW HAMPSHIRE

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, FOR THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER NEW HAMPSHIRE REVISED STATUTES ANNOTATED 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDATION OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

## NOTICE TO RESIDENTS OF PENNSYLVANIA

EACH PERSON WHO ACCEPTS AN OFFER TO PURCHASE SECURITIES EXEMPTED FROM REGISTRATION BY SECTION 203(d) DIRECTLY FROM THE ISSUER OR AN AFFILIATE OF THE ISSUER SHALL HAVE THE RIGHT TO WITHDRAW HIS ACCEPTANCE WITHOUT INCURRING ANY LIABILITY TO THE SELLER OR ANY OTHER PERSON, WITHIN TWO BUSINESS DAYS FROM THE DATE OF RECEIPT BY THE ISSUER OF HIS WRITTEN BINDING CONTRACT OF PURCHASE, OR IN THE CASE OF A TRANSACTION IN WHICH THERE IS NO BINDING CONTRACT OF PURCHASE, WITHIN TWO BUSINESS DAYS AFTER HE MAKES INITIAL PAYMENT FOR THE SECURITIES OFFERED.

## NOTICE TO RESIDENTS OF AUSTRIA

ANY PERSON WHO IS IN POSSESSION OF THIS PRESENTATION MATERIAL UNDERSTANDS THAT NO ACTION HAS BEEN OR WILL BE TAKEN WHICH WOULD ALLOW AN OFFERING OF THE SHARES TO THE PUBLIC IN AUSTRIA. ACCORDINGLY, THE SHARES MAY NOT BE OFFERED, SOLD OR DELIVERED AND NEITHER THIS PRESENTATION MATERIAL NOR ANY OTHER OFFERING MATERIALS RELATING TO THESE SECURITIES MAY BE DISTRIBUTED OR MADE AVAILABLE TO THE PUBLIC IN AUSTRIA. ANY INDIVIDUAL SALES OF THESE SECURITIES TO ANY PERSON IN AUSTRIA WERE MADE ONLY TO A LIMITED CIRCLE OF INSTITUTIONAL INVESTORS IN ACCORDANCE WITH § 3/1/11 OF THE AUSTRIAN CAPITAL MARKETS ACT OR IN A PRIVATE PLACEMENT WHERE A MAXIMUM OF 250 INDIVIDUALS WERE INDIVIDUALLY APPROACHED AND IDENTIFIED BY NAME. THESE SECURITIES MUST NOT BE RESOLD OR SOLD OTHER THAN IN COMPLIANCE WITH THE CAPITAL MARKETS ACT.

## NOTICE TO RESIDENTS OF BERMUDA

THESE SHARES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE AND OTHER APPLICABLE SECURITIES LAWS, PURSUANT TO REGISTRATION OR AN EXEMPTION THEREFORE, WITH THE CONSENT OF THE BERMUDA MONETARY AUTHORITY AND IN ACCORDANCE WITH OTHER RESTRICTIONS CONTAINED IN THE [MEMORANDUM OF ASSOCIATION]. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

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# Notice

## NOTICE TO RESIDENTS OF BRAZIL

THE SHARES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED WITH THE COMISSÃO DE VALORES MOBILIÁRIOS, OR CMV, THE SECURITIES AND EXCHANGE COMMISSION OF BRAZIL. ANY PUBLIC OFFERING OR DISTRIBUTION, AS DEFINED UNDER BRAZILIAN LAWS AND REGULATIONS, OF THE SHARES IN BRAZIL IS NOT LEGAL WITHOUT SUCH PRIOR REGISTRATION UNDER LAW 6385/76.

## NOTICE TO RESIDENTS OF CANADA

### RESALE RESTRICTIONS

THE DISTRIBUTION OF THE SHARES IN CANADA IS BEING MADE ONLY ON A PRIVATE PLACEMENT BASIS EXEMPT FROM THE REQUIREMENT THAT WE PREPARE AND FILE AN OFFERING MEMORANDUM WITH THE SECURITIES REGULATORY AUTHORITIES IN EACH PROVINCE WHERE TRADES OF SHARES ARE MADE. ANY RESALE OF THE SHARES IN CANADA MUST BE MADE UNDER APPLICABLE SECURITIES LAWS WHICH WILL VARY DEPENDING ON THE RELEVANT JURISDICTION, AND WHICH MAY REQUIRE RESALES TO BE MADE UNDER AVAILABLE STATUTORY EXEMPTIONS OR UNDER A DISCRETIONARY EXEMPTION GRANTED BY THE APPLICABLE CANADIAN SECURITIES REGULATORY AUTHORITY. PURCHASERS ARE ADVISED TO SEEK LEGAL ADVICE PRIOR TO ANY RESALE OF THE SHARES. REPRESENTATIONS OF PURCHASERS

BY PURCHASING SHARES IN CANADA AND ACCEPTING A PURCHASE CONFIRMATION A PURCHASER IS REPRESENTING TO US AND THE DEALER FROM WHOM THE PURCHASE CONFIRMATION IS RECEIVED THAT:

THE PURCHASER IS ENTITLED UNDER APPLICABLE PROVINCIAL SECURITIES LAWS TO PURCHASE THE SHARES WITHOUT THE BENEFIT OF AN OFFERING MEMORANDUM QUALIFIED UNDER THOSE SECURITIES LAWS,

WHERE REQUIRED BY LAW, THAT THE PURCHASER IS PURCHASING AS PRINCIPAL AND NOT AS AGENT, AND

THE PURCHASER HAS REVIEWED THE TEXT ABOVE UNDER RESALE RESTRICTIONS.

### RIGHTS OF ACTION—ONTARIO PURCHASERS ONLY

UNDER ONTARIO SECURITIES LEGISLATION, A PURCHASER WHO PURCHASES A SECURITY OFFERED BY AN OFFERING MEMORANDUM DURING THE PERIOD OF DISTRIBUTION WILL HAVE A STATUTORY RIGHT OF ACTION FOR DAMAGES, OR WHILE STILL THE OWNER OF THE SHARES, FOR RESCISSION AGAINST US IN THE EVENT THAT AN OFFERING MEMORANDUM CONTAINS A MISREPRESENTATION. A PURCHASER WILL BE DEEMED TO HAVE RELIED ON THE MISREPRESENTATION. THE RIGHT OF ACTION FOR DAMAGES IS EXERCISABLE NOT LATER THAN THE EARLIER OF 180 DAYS FROM THE DATE THE PURCHASER FIRST HAD KNOWLEDGE OF THE FACTS GIVING RISE TO THE CAUSE OF ACTION AND THREE YEARS FROM THE DATE ON WHICH PAYMENT IS MADE FOR THE SHARES. THE RIGHT OF ACTION FOR RESCISSION IS EXERCISABLE NOT LATER THAN 180 DAYS FROM THE DATE ON WHICH PAYMENT IS MADE FOR THE SHARES. IF A PURCHASER ELECTS TO EXERCISE THE RIGHT OF ACTION FOR RESCISSION, THE PURCHASER WILL HAVE NO RIGHT OF ACTION FOR DAMAGES AGAINST US. IN NO CASE WILL THE AMOUNT RECOVERABLE IN ANY ACTION EXCEED THE PRICE AT WHICH THE SHARES WERE OFFERED TO THE PURCHASER AND IF THE PURCHASER IS SHOWN TO HAVE PURCHASED THE SECURITIES WITH KNOWLEDGE OF THE MISREPRESENTATION, WE WILL HAVE NO LIABILITY. IN THE CASE OF AN ACTION FOR DAMAGES, WE WILL NOT BE LIABLE FOR ALL OR ANY PORTION OF THE DAMAGES THAT ARE PROVEN NOT TO REPRESENT THE DEPRECIATION IN VALUE OF THE SHARES AS A RESULT OF THE MISREPRESENTATION RELIED UPON. THESE RIGHTS ARE IN ADDITION TO, AND WITHOUT DEROGATION FROM, ANY OTHER RIGHTS OR REMEDIES AVAILABLE AT LAW TO AN ONTARIO PURCHASER. THE FOREGOING IS A SUMMARY OF THE RIGHTS AVAILABLE TO AN ONTARIO PURCHASER. ONTARIO PURCHASERS SHOULD REFER TO THE COMPLETE TEXT OF THE RELEVANT STATUTORY PROVISIONS.

### ENFORCEMENT OF LEGAL RIGHTS

ALL OF OUR DIRECTORS AND OFFICERS AS WELL AS THE EXPERTS NAMED IN AN OFFERING MEMORANDUM MAY BE LOCATED OUTSIDE OF CANADA AND, AS A RESULT, IT MAY NOT BE POSSIBLE FOR CANADIAN PURCHASERS TO EFFECT SERVICE OF PROCESS WITHIN CANADA UPON US OR THOSE PERSONS. ALL OR A SUBSTANTIAL PORTION OF OUR ASSETS AND THE ASSETS OF THOSE PERSONS MAY BE LOCATED OUTSIDE OF CANADA AND, AS A RESULT, IT MAY NOT BE POSSIBLE TO SATISFY A JUDGMENT AGAINST US OR THOSE PERSONS IN CANADA OR TO ENFORCE A JUDGMENT OBTAINED IN CANADIAN COURTS AGAINST US OR THOSE PERSONS OUTSIDE OF CANADA.

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# Notice

## NOTICE TO RESIDENTS OF CANADA (CONTINUED)

### TAXATION AND ELIGIBILITY FOR INVESTMENT

CANADIAN PURCHASERS OF THE SHARES SHOULD CONSULT THEIR OWN LEGAL AND TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES OF AN INVESTMENT IN THE SHARES IN THEIR PARTICULAR CIRCUMSTANCES AND ABOUT THE ELIGIBILITY OF THE SHARES FOR INVESTMENT BY THE PURCHASER UNDER RELEVANT CANADIAN LEGISLATION.

### NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

THE PUBLIC IN THE CAYMAN ISLANDS MAY NOT BE INVITED TO SUBSCRIBE FOR ANY COMMON SHARES UNLESS THE COMPANY IS SUBSEQUENTLY LISTED ON THE CAYMAN ISLANDS STOCK EXCHANGE. THE COMMON SHARES MAY, HOWEVER, BE SOLD TO EXEMPT OR OTHER NON RESIDENT COMPANIES, EXEMPT TRUSTS, LIMITED PARTNERSHIPS OR OTHER NON RESIDENT ENTITIES CREATED OR ORGANIZED UNDER THE LAWS OF THE CAYMAN ISLANDS.

AS PART OF OUR AND THE INITIAL PURCHASER'S RESPONSIBILITY FOR THE PREVENTION OF MONEY LAUNDERING, WE AND THE INITIAL PURCHASER (INCLUDING THEIR AFFILIATES, SUBSIDIARIES OR ASSOCIATES) WILL REQUIRE A DETAILED VERIFICATION OF THE PURCHASER'S IDENTITY AND THE SOURCE OF PAYMENT, DEPENDING ON THE CIRCUMSTANCES OF EACH APPLICATION, A DETAILED VERIFICATION MIGHT NOT BE REQUIRED WHERE:

(A) THE PURCHASER IS A RECOGNIZED FINANCIAL INSTITUTION WHICH IS REGULATED BY A RECOGNIZED REGULATORY AUTHORITY AND CARRIES ON BUSINESS IN A COUNTRY LISTED IN SCHEDULE 3 OF THE MONEY LAUNDERING REGULATIONS (2005 REVISION), OR A SCHEDULED 3 COUNTRY; AND

(B) THE APPLICATION FOR COMMON SHARES IS MADE THROUGH A RECOGNIZED INTERMEDIARY WHICH IS REGULATED BY A RECOGNIZED REGULATORY AUTHORITY AND CARRIES ON BUSINESS IN A COUNTRY RECOGNIZED IN A SCHEDULE 3 COUNTRY. IN THIS SITUATION WE AND/OR THE INITIAL PURCHASER, AS APPLICABLE, MAY RELY ON A WRITTEN ASSURANCE FROM THE INTERMEDIARY THAT THE REQUISITE IDENTIFICATION PROCEDURES ON THE APPLICANT FOR BUSINESS HAVE BEEN CARRIED OUT.

WE AND THE INITIAL PURCHASER RESERVE THE RIGHT TO REQUEST SUCH INFORMATION AS IS NECESSARY TO VERIFY THE IDENTITY OF A PURCHASER. IN THE EVENT OF DELAY OR FAILURE BY THE APPLICANT TO PRODUCE ANY INFORMATION REQUIRED FOR VERIFICATION PURPOSES, WE AND/OR THE INITIAL PURCHASER, AS APPLICABLE, WILL REFUSE TO ACCEPT THE APPLICATION AND THE SUBSCRIPTION MONIES RELATING THERETO.

IF ANY PERSON WHO IS RESIDENT IN THE CAYMAN ISLANDS HAS A SUSPICION THAT A PAYMENT TO U.S. AND/OR THE INITIAL PURCHASER (BY WAY OF SUBSCRIPTION OR OTHERWISE) CONTAINS THE PROCEEDS OF CRIMINAL CONDUCT, THAT PERSON IS REQUIRED TO REPORT SUCH SUSPICION PURSUANT TO THE PROCEEDS OF CRIMINAL CONDUCT LAW (AS AMENDED).

BY SUBSCRIBING, PURCHASERS CONSENT TO THE DISCLOSURE BY U.S. AND/OR THE INITIAL PURCHASER OF ANY INFORMATION ABOUT THEM TO REGULATORS AND OTHERS UPON REQUEST IN CONNECTION WITH MONEY LAUNDERING AND SIMILAR MATTERS BOTH IN THE CAYMAN ISLANDS AND IN OTHER JURISDICTIONS.

### NOTICE TO RESIDENTS OF GERMANY

ANY PERSON WHO IS IN POSSESSION OF THIS PRESENTATION MATERIAL UNDERSTANDS THAT NO ACTION HAS BEEN OR WILL BE TAKEN WHICH WOULD ALLOW AN OFFERING OF THE SECURITIES TO THE PUBLIC IN GERMANY. ACCORDINGLY, THIS PRESENTATION MATERIAL DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, THE SECURITIES TO THE PUBLIC IN GERMANY. THEREFORE, THE SECURITIES MAY NOT BE OFFERED, SOLD, OR DELIVERED AND NEITHER THIS PRESENTATION MATERIAL NOR ANY OTHER OFFERING MATERIALS RELATING TO THE SECURITIES MAY BE DISTRIBUTED OR MADE AVAILABLE TO THE PUBLIC IN GERMANY OR BE USED FOR, OR IN CONNECTION WITH AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, THE SECURITIES TO THE PUBLIC IN GERMANY. INDIVIDUAL SALES OF THE SECURITIES TO ANY PERSON IN GERMANY MAY ONLY BE MADE TO (I) QUALIFIED INVESTORS (AS DEFINED IN § 3 PARA. 2 NO. 1 GERMAN SECURITIES PROSPECTUS ACT), OR (II) TO FEWER THAN 100 NON-QUALIFIED INVESTORS PER STATE OF THE EUROPEAN ECONOMIC AREA (AS DEFINED IN § 3 PARA. 2 NO. 2 GERMAN SECURITIES PROSPECTUS ACT), AND ACCORDING TO ANY OTHER GERMAN SECURITIES, PROSPECTUS, TAX, AND OTHER APPLICABLE LAWS AND REGULATIONS.

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# Notice

## NOTICE TO RESIDENTS OF HONG KONG

THE CONTENTS OF THIS PRESENTATION MATERIAL HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. ACCORDINGLY, NO PERSON MAY ISSUE ANY INVITATION, ADVERTISEMENT OR OTHER DOCUMENT RELATING TO THE SECURITIES WHETHER IN HONG KONG OR ELSEWHERE, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC IN HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO SECURITIES WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO "PROFESSIONAL INVESTORS" WITHIN THE MEANING OF THE SECURITIES AND FUTURES ORDINANCE AND THE SECURITIES AND FUTURES (PROFESSIONAL INVESTOR) RULES MADE THEREUNDER.

YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS DOCUMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

## NOTICE TO RESIDENTS OF IRELAND

THIS PRESENTATION MATERIAL HAS NOT BEEN AND WILL NOT BE REGISTERED WITH ANY REGULATORY OR OTHER AUTHORITIES IN IRELAND. ANY PERSON WHO IS IN POSSESSION OF THIS PRESENTATION MATERIAL UNDERSTANDS THAT NO ACTION HAS BEEN OR WILL BE TAKEN WHICH WOULD ALLOW AN OFFERING OF THE SHARES TO THE PUBLIC IN IRELAND. ACCORDINGLY, THE SHARES MAY NOT BE OFFERED, SOLD OR DELIVERED AND NEITHER THIS PRESENTATION MATERIAL NOR ANY OTHER OFFERING MATERIALS RELATING TO THESE SECURITIES MAY BE DISTRIBUTED OR MADE AVAILABLE TO THE PUBLIC IN IRELAND. INDIVIDUAL SALES OF THESE SECURITIES TO ANY PERSON IN IRELAND MAY ONLY BE MADE TO LESS THAN TWENTY (20) PERSONS, WHETHER INSTITUTIONAL OR INDIVIDUALS, AND WHETHER ON A SOLICITED OR UNSOLICITED BASIS.

## NOTICE TO INDIVIDUAL PURCHASERS IN LUXEMBOURG

THIS PRESENTATION MATERIAL HAS NOT BEEN AND WILL NOT BE REGISTERED WITH THE COMMISSION FOR THE SUPERVISION OF THE FINANCIAL SECTOR. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE AUTHORIZED FOR PUBLIC OFFERING IN LUXEMBOURG AND MAY NOT BE OFFERED OR SOLD IN LUXEMBOURG IN CIRCUMSTANCES THAT WOULD CONSTITUTE A PUBLIC OFFER UNLESS THE REQUIREMENTS OF LUXEMBOURG LAW CONCERNING PUBLIC OFFERS HAVE BEEN COMPLIED WITH. THIS DOCUMENT MAY NOT BE DUPLICATED. IN ADDITION, IT MAY NOT BE PASSED TO ANOTHER PERSON.

## NOTICE TO INSTITUTIONAL INVESTORS IN LUXEMBOURG

THIS PRESENTATION MATERIAL HAS NOT BEEN AND WILL NOT BE REGISTERED WITH THE COMMISSION FOR THE SUPERVISION OF THE FINANCIAL SECTOR. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE AUTHORIZED FOR PUBLIC OFFERING IN LUXEMBOURG AND MAY NOT BE OFFERED OR SOLD IN LUXEMBOURG IN CIRCUMSTANCES THAT WOULD CONSTITUTE A PUBLIC OFFER UNLESS THE REQUIREMENTS OF LUXEMBOURG LAW CONCERNING PUBLIC OFFERS HAVE BEEN COMPLIED WITH.

## NOTICE TO RESIDENTS OF THE NETHERLANDS

OUR COMMON SHARES MAY NOT BE OFFERED, SOLD, TRANSFERRED OR DELIVERED IN OR FROM THE NETHERLANDS AS PART OF THEIR INITIAL DISTRIBUTION OR AT ANY TIME THEREAFTER, DIRECTLY OR INDIRECTLY, OTHER THAN TO INDIVIDUALS OR LEGAL ENTITIES, WHICH INCLUDES, BUT IS NOT LIMITED TO, BANKS, BROKERS, DEALERS, INSTITUTIONAL INVESTORS AND UNDERTAKINGS WITH A TREASURY DEPARTMENT, WHO OR WHICH TRADE OR INVEST IN SECURITIES IN THE CONDUCT OF A BUSINESS OR A PROFESSION.

## NOTICE TO RESIDENTS OF SWITZERLAND

THE COMPANY HAS NOT BEEN AUTHORIZED BY THE SWISS FEDERAL BANKING COMMISSION AS A FOREIGN INVESTMENT FUND NOR DOES THIS PRESENTATION MATERIAL CONSTITUTE AN ISSUE PROSPECTUS FOR THE OFFERING OF NEW SHARES IN ACCORDANCE WITH APPLICABLE SWISS LEGISLATION. ACCORDINGLY, COMMON SHARES MAY NOT BE OFFERED TO THE PUBLIC IN OR FROM SWITZERLAND. THIS PRESENTATION MATERIAL MAY ONLY BE USED BY THOSE PERSONS TO WHOM IT HAS BEEN HANDED OUT IN CONNECTION WITH THE OFFER DESCRIBED THEREIN. IT MAY NOT BE USED IN CONNECTION WITH ANY OTHER OFFER AND SHALL IN PARTICULAR NOT BE DISTRIBUTED TO THE PUBLIC IN SWITZERLAND.

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NOTICE TO INVESTORS IN THE UNITED KINGDOM  
EACH INITIAL PURCHASER/PLACEMENT AGENT HAS REPRESENTED AND AGREED THAT:

(A) IT IS A PERSON WHOSE ORDINARY ACTIVITIES INVOLVE IT IN ACQUIRING, HOLDING, MANAGING OR DISPOSING OF INVESTMENTS (AS PRINCIPAL OR AGENT) FOR THE PURPOSES OF ITS BUSINESS AND (II) IT HAS NOT OFFERED OR SOLD AND WILL NOT OFFER OR SELL THE SECURITIES OTHER THAN TO PERSONS WHOSE ORDINARY ACTIVITIES INVOLVE THEM IN ACQUIRING, HOLDING, MANAGING OR DISPOSING OF INVESTMENTS (AS PRINCIPAL OR AGENT) FOR THE PURPOSES OF THEIR BUSINESSES OR WHO IT IS REASONABLE TO EXPECT WILL ACQUIRE, HOLD, MANAGE OR DISPOSE OF INVESTMENTS (AS PRINCIPAL OR AGENT) FOR THE PURPOSES OF THEIR BUSINESSES WHERE THE ISSUE OF THE SECURITIES WOULD OTHERWISE CONSTITUTE A CONTRAVENTION OF SECTION 19 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 ("FSMA") BY THE ISSUER;

(B) IT HAS ONLY COMMUNICATED OR CAUSED TO BE COMMUNICATED AND WILL ONLY COMMUNICATE OR CAUSE TO BE COMMUNICATED AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FSMA) RECEIVED BY IT IN CONNECTION WITH THE ISSUE OR SALE OF THE SECURITIES IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES NOT APPLY TO THE ISSUER OR THE GUARANTOR; AND

(C) IT HAS COMPLIED AND WILL COMPLY WITH ALL APPLICABLE PROVISIONS OF THE FSMA WITH RESPECT TO ANYTHING DONE BY IT IN RELATION TO THE SECURITIES IN, FROM OR OTHERWISE INVOLVING THE UNITED KINGDOM.

FOR OTHER NON-UNITED STATES RESIDENTS

IT IS THE RESPONSIBILITY OF THE PROSPECTIVE INVESTOR TO SATISFY ITSELF AS TO FULL OBSERVANCE OF THE LAWS OF ANY RELEVANT TERRITORY OR JURISDICTION OUTSIDE THE UNITED STATES IN CONNECTION WITH ANY PURCHASE OF OUR SECURITIES, INCLUDING, WITHOUT LIMITATION, OBTAINING ANY REQUIRED GOVERNMENTAL OR OTHER CONSENTS OR OBSERVING ANY OTHER APPLICABLE REQUIREMENTS.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR LEGAL, TAX AND ACCOUNTING ADVISORS TO ENSURE THAT THEY ARE QUALIFIED AND ELIGIBLE TO PARTICIPATE IN THIS OFFERING AND TO PURCHASE OUR SECURITIES. WE HAVE NOT UNDERTAKEN ANY ACTIONS TO ENSURE THAT YOU ARE SO QUALIFIED OR ELIGIBLE UNDER THE LAWS OF YOUR JURISDICTION.

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# Notice

## NOTICE TO RESIDENTS OF EUROPEAN ECONOMIC AREA

IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA WHICH HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE (EACH, A RELEVANT MEMBER STATE), EACH INITIAL PURCHASER/PLACEMENT AGENT HAS REPRESENTED AND AGREED THAT WITH EFFECT FROM AND INCLUDING THE DATE ON WHICH THE PROSPECTUS DIRECTIVE IS IMPLEMENTED IN THAT RELEVANT MEMBER STATE (THE RELEVANT IMPLEMENTATION DATE) IT HAS NOT MADE AND WILL NOT MAKE AN OFFER OF SECURITIES TO THE PUBLIC IN THAT RELEVANT MEMBER STATE PRIOR TO THE PUBLICATION OF A PROSPECTUS IN RELATION TO THE SECURITIES WHICH HAS BEEN APPROVED BY THE COMPETENT AUTHORITY IN THAT RELEVANT MEMBER STATE OR, WHERE APPROPRIATE, APPROVED IN ANOTHER RELEVANT MEMBER STATE AND NOTIFIED TO THE COMPETENT AUTHORITY IN THAT RELEVANT MEMBER STATE. ALL IN ACCORDANCE WITH THE PROSPECTUS DIRECTIVE. EXCEPT THAT IT MAY, WITH EFFECT FROM AND INCLUDING THE RELEVANT IMPLEMENTATION DATE, MAKE AN OFFER OF SECURITIES TO THE PUBLIC IN THAT RELEVANT MEMBER STATE AT ANY TIME.

(A) TO LEGAL ENTITIES WHICH ARE AUTHORIZED OR REGULATED TO OPERATE IN THE FINANCIAL MARKETS OR, IF NOT SO AUTHORIZED OR REGULATED, WHOSE CORPORATE PURPOSE IS SOLELY TO INVEST IN SECURITIES;

(B) TO ANY LEGAL ENTITY WHICH HAS TWO OR MORE OF (1) AN AVERAGE OF AT LEAST 250 EMPLOYEES DURING THE LAST FINANCIAL YEAR; (2) A TOTAL BALANCE SHEET OF MORE THAN E 43,000,000 AND (3) AN ANNUAL NET TURNOVER OF MORE THAN E 50,000,000, AS SHOWN IN ITS LAST ANNUAL OR CONSOLIDATED ACCOUNTS; OR

(C) IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS DIRECTIVE.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN "OFFER OF SECURITIES TO THE PUBLIC" IN RELATION TO ANY SECURITIES IN ANY RELEVANT MEMBER STATE MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE SECURITIES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE OR SUBSCRIBE THE SECURITIES, AS THE SAME MAY BE VARIED IN THAT MEMBER STATE BY ANY MEASURE IMPLEMENTING THE PROSPECTUS DIRECTIVE IN THAT MEMBER STATE AND THE EXPRESSION PROSPECTUS DIRECTIVE MEANS DIRECTIVE 2003/71/EC AND INCLUDES ANY RELEVANT IMPLEMENTING MEASURE IN EACH RELEVANT MEMBER STATE.

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## Safe Harbor

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- Certain statements made during this presentation are forward-looking and are subject to risks and uncertainties
- The forward-looking statements made are based on our beliefs, assumptions and expectations of future performance, taking into account all information currently available to us
- Past performance achieved by Gramercy, entities beneficially owned in part by the principals of Gramercy and/or its affiliates may not be indicative of future results. Therefore, you should not assume that the future performance of any specific investment or investment strategy will be profitable or equal to corresponding past performance levels of Gramercy, entities beneficially owned in part by the principals of Gramercy and/or its affiliates
- Actual results could differ materially from the forward-looking statements made during this presentation
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- The forward-looking statement made during this presentation are subject to the safe harbor of the Private Securities Litigation Reform Act of 1995

# Overview

Issuer	Arco Capital Corporation Ltd. (Cayman Islands) – (“Arco”)
Type	144A/Reg S
Shares Offered	20,000,000
Proposed Price	\$15.00
Gross Offering Proceeds	\$300,000,000
Sponsor Investment	\$10 million
Placement Fee	None to existing Gramercy investors
Additional Allotment	20%
Use of Proceeds	<ul style="list-style-type: none"> <li>- Structured credit investments</li> <li>- Real estate and related securities</li> <li>- Infrastructure assets</li> <li>- Leveraged finance</li> </ul>
External Manager	Arco Capital Management Ltd. (Cayman Islands) – (“ACM”)
Timing	Projected to price the week of [                      ], 2006

# Overview

## Overview

- Specialty finance company
  - Invest in performing, high yield structured finance, real estate and infrastructure assets
  - Focus on emerging markets, namely Central and Eastern Europe, Latin America and non-Japan Asia
  - Externally managed by ACM which is beneficially owned by the principals of Gramercy
- Opportunity to invest in performing, high yielding assets
  - Many attractive real estate, lending and opportunistic investments generally do not fit our existing funds' mandate
  - Arco will allow us to exploit more fully performing emerging markets opportunities
  - Our expertise in structured finance, real estate and infrastructure development is significant
  - We possess the skills to effectively analyze and manage credit risk as well as restructure problem credits
  - Arco will bring capital and additional financing options to underserved emerging markets
- Invest in full spectrum of structured finance products for current yield
  - Create managed investment vehicles that generate consistent fee income
- Invest in and develop premiere real estate projects for capital appreciation and cash flow
- Develop and finance important infrastructure projects for appreciation and cash flow
- Target risk-adjusted returns on equity in excess of 20% per annum net of fees\*\*\*

## Why

## Business Strategy

## Returns

\*\*\*Note: Investors must have the financial ability and willingness to accept the risk characteristics of the investments described in the enclosed materials. Performance may be volatile, and investors may experience results which differ materially from those targeted by Arco Capital Corporation as there is no assurance that investment objectives will be achieved. Investors may lose all or a substantial amount of their investment. Please refer to page 21 for "Model Portfolio."

Arco Capital Corporation



Gramercy



## Emerging Markets Overview

- Average credit quality on the EM indices has continued to increase, and EM has outperformed other markets
  - 49% of the combined dollar and Euro index\* is now investment grade, and only 7% is single-B or below
  - Upgrades continue to outnumber downgrades in 2006
  - Since 1999, EM external debt has outperformed US Treasuries by 155% in terms of total return
  - In addition, EM equities\*\* have generated higher risk-adjusted returns than mature equity markets
- Banking systems in Emerging Markets have improved
  - Few signs of excessive lending by EM banks, with most EM banking systems having kept lending constant as a percentage of GDP in recent years
  - Asset quality has improved; median NPLs/Assets ratio has dropped to just 4.0%
- Systemic distress - a prolonged absence from EM
  - Massive global capital flows from long term investors attracted to fixed income high yields and public equity capital appreciation
  - One-off distressed situations continue to exist
  - Many corporates still remain shut-out from the public and private capital markets

Notes: \*JPMorgan EMBI Global Index; \*\*MSCI EMF Index

Source: CreditSights; JPMorgan; Bloomberg

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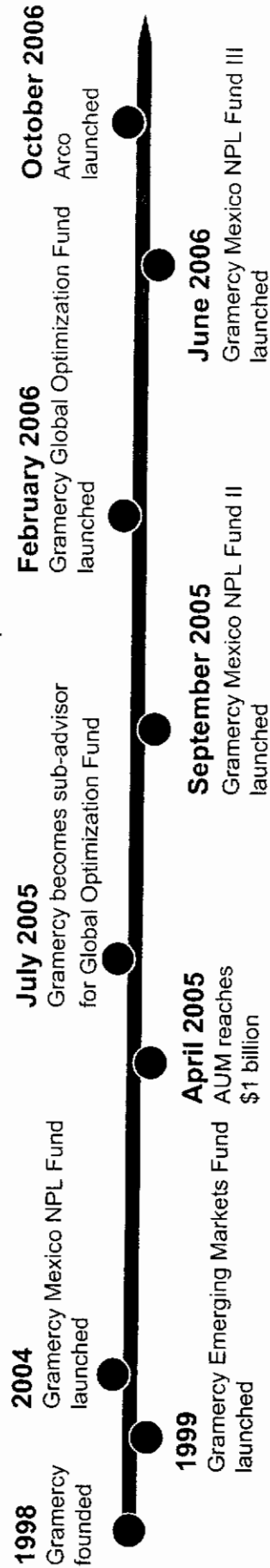


Gramercy

# History of Gramercy

- Gramercy Advisors and/or its affiliates ("Gramercy") capitalizes on the cumulative eighty plus years of emerging market experience of its senior management team
  - The Gramercy management team has worked together on numerous sovereign and corporate debt defaults and successfully negotiated restructurings
- Gramercy is an SEC registered investment advisor with over \$3.5 billion in assets under management (face value) with equity of \$1.4 billion as of September 2006
- Gramercy is investment manager to the Gramercy Emerging Markets Fund ("GEMF") and various individual managed accounts
  - GEMF is a distressed debt hedge fund that specializes in emerging market fixed income investments and has generated an unlevered 15.4%<sup>1</sup> net compound annual return since its inception in April 1999 through September 2006, with low volatility<sup>1</sup>
- GEMF is an "event-driven" fund that invests in emerging markets
  - Aggressively participates in the active restructuring of each selected investment situation (sovereign and corporate) in order to extract maximum value for investors, often leading creditor committees, boards and functioning as a catalyst to expedite the completion of a deal on favorable terms within a minimum time period

- Gramercy, founded in 1998, is located in Greenwich, CT and has a staff of 21 professionals



Arco Capital Corporation



# Gramercy - Evolving Approach to EM Value Creation

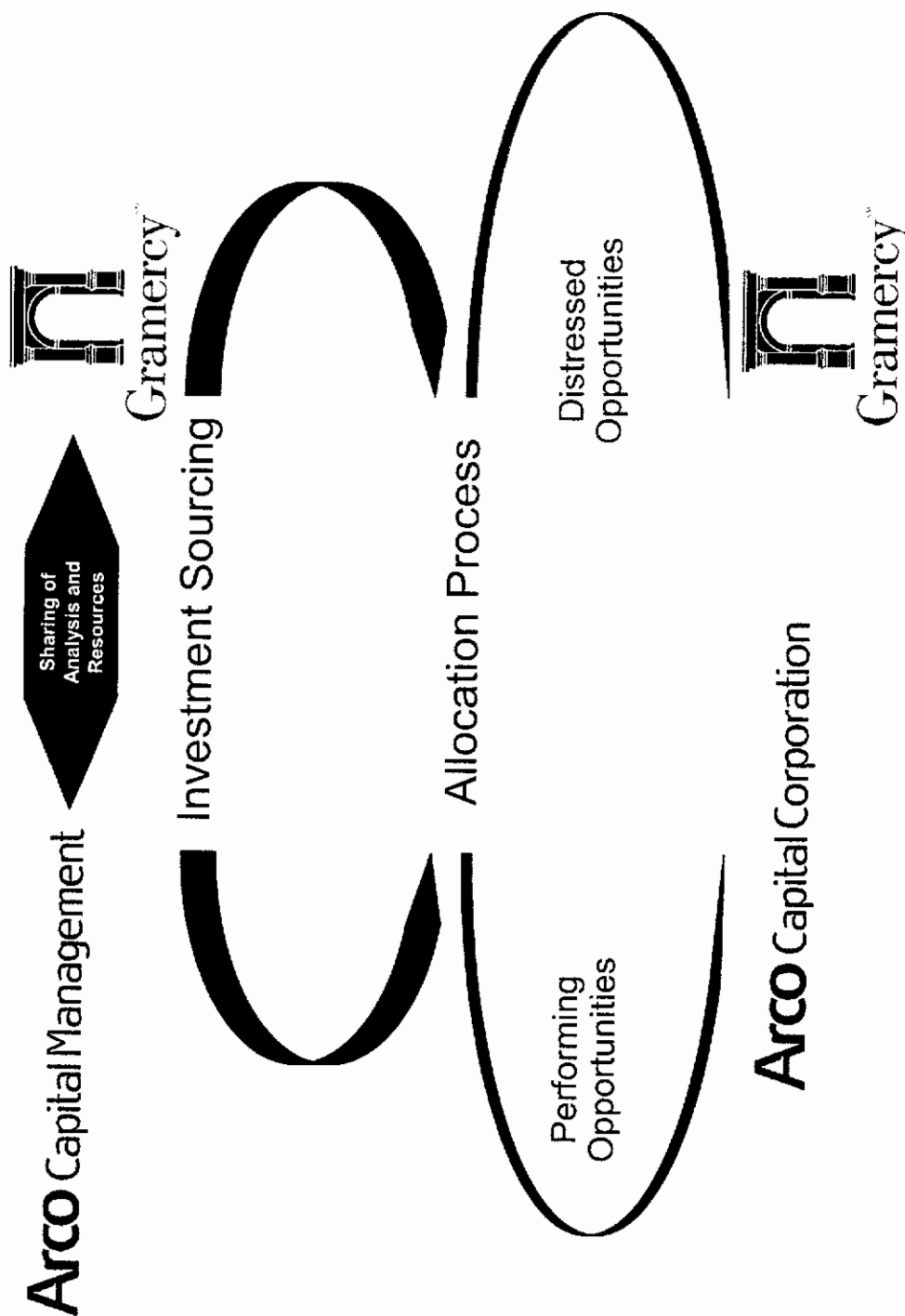
- Prudent and deliberate effort to segregate risk profiles by product to enable client understanding and transparency
  - GEMF identifies an element of distress, introduces a catalyst to exploit such situations throughout EM with hard currencies and reliable external legal jurisdictions; key to unlocking value is active credit restructuring
  - Gramercy Mexico NPL Funds ("GMNPLFs") isolate local Mexican distressed opportunities that are peso-denominated, fairly illiquid and require intensive and private equity-like prolonged effort to restructure and cash-out or sell a high volume of individual credits
  - GMNPLFs were created because Mexico NPL risk was beyond the mandate of GEMF
  - Arco seeks to target investment situations that are beyond the current reach of the public and private capital markets, performing assets with high current yields, and less liquid than publicly traded investments
  - Arco is being created because less liquid opportunities are beyond the mandate of GEMF
- Arco is complementary to existing product suite
  - Seeks to capture the performing opportunities that our distressed funds typically do not feature, creating distributable cash flows to investors along the way
  - Builds a longer-term portfolio able to extract value over a longer time horizon, versus GEMF approach of catalyzing a definitive position exit
  - Permanent capital structure avoids difficult asset-liability mismatch where less liquid assets line-up against "60 day" liquidity terms of GEMF
  - Many attractive situations which have limited access to capital are passed-up by our team today due to liquidity profiles that are out of current scope
  - Creative private-to-public company structure combines the stability of permanent capital with future liquidity options for investors through an exchange listing

# Gramercy - EM Product/Risk Spectrum

Strategy Name	EM Performing	EM Fixed Income Distressed	Mexico Non-Performing Loans
Product Name	Arco Capital Corporation Ltd.	Gramercy Emerging Markets Fund	Gramercy Mexico NPL Fund I, II and III
Inception	[ ], 2006	April 1999	October 2004
Strategy AUM (Face Value)	N/A	\$2.1 Billion	\$1.3 Billion
Strategy AUM (Equity)	Target \$300 Million	\$940 Million (incl. managed accounts)	\$288 Million
Risk Profile	Multi-Currency, Multi Jurisdiction, Private Corporate Debt, Real Estate, Structured Finance, <b>Performing</b>	US Dollar-Denominated, US/UK Jurisdiction, Corporate/Sovereign Bonds, <b>Distressed</b>	Peso-Denominated, Mexican Jurisdiction, Mortgages, Commercial Loans, <b>Distressed</b>
<b>Investment Approach</b>			
Geographical	Central and Eastern Europe, Latin America and Non-Japan Asia	Emerging Markets	Mexico
Style	Specialty Finance	Event Driven Distressed	Collections/Restructuring
Capitalization	All-Cap Companies	All-Cap Companies and Sovereigns	All-Cap Companies and Individuals
Industry	All Industries Corporate, Structured Finance, and Real Estate	All Industries	Mortgage, Commercial and Industrial Debt, Consumer Credit Card Receivables
Analytical & Research Approach	Fundamental, Bottom-up Credit Intensive	Fundamental, Bottom-up Credit Intensive	Fundamental, Bottom-up, Credit Intensive
<b>Terms</b>			
Subscription	144A/Reg S	Monthly	Closed
Liquidity (Notice Period)	144A, Target IPO 2Q-3Q 2007	Monthly (60 days)	Self Liquidating, 4 Year Term
Fees	1.75% Management Fee (Sliding Reduction as Assets Increase) 25% Incentive Fee over 9% Hurdle	2% Management Fee 20% Incentive Fee	2% Management Fee 20% Incentive Fee
Redemption Penalty	N/A - Liquidity is Through an Exchange Listing	2% of Funds Redeemed Within First 12 Months	None
* AUM is unaudited estimate as of September 30, 2006			



# Allocation of Opportunities



Note: The Executive Management of the entities do not make portfolio-specific decisions through the depicted process. This graphic is to illustrate a competence center concept and it is not representative of final legal, tax, structural and/or investment course of action.

Arco Capital Corporation



Gramercy

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## **Arco Capital Corporation Business Strategy**

**Arco** Capital Corporation



## Investment Opportunities

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- Gramercy has the resources to analyze and exploit higher risk/higher reward opportunities in emerging markets
- There is significant mispricing of risk in emerging markets
- The bulk of recently deployed capital to emerging markets has been focused largely on sovereign debt ignoring opportunities in real estate, structured finance, infrastructure and other unique investments
- Gramercy has invested over \$40 billion in emerging markets investments and delivered an unlevered 15.4%<sup>1</sup> net compound annual return net of all fees from inception through September 2006<sup>1</sup>
  - Will use the same techniques and expertise to underwrite risk across Arco's asset base
- Investment pipeline of over \$3 billion

Source: Gramercy

**Arco** Capital Corporation



# Investment Pipeline

PROJECT	DESCRIPTION	LOCATION	TOTAL EXPECTED INVESTMENT (MM - USD)
<b>Corporate Credit/Leveraged Finance</b>			
Private Company	Generic Pharmaceutical Maker; credit line with equity kicker	Serbia	\$ 400
East-European High Yield Loan Securitization	Loans to investment and sub investment grade corporations; expected IRR 31%	Eastern Europe	243
Specialty Niche Bank	Key regional banking asset; interest margin in excess of 11%	Bulgaria	125
Private Company	Owner of 500 Service Station/Convenience Store Group; 51% stake	Balkan Region	112
Private Company	Investment in Romanian Privatization Vouchers for further acquisitions at discount	Romania	100
EM Loan Securitization	Senior secured loans / revolving lines of credit in Asia; expected IRR 26%	Asia	97
Major Leasing Company	Purchase of book of loans with MRI/CT (healthcare) machines as collateral	Latin America	85
East-European SME's Loan Securitization	Senior unsecured / senior partly secured loans; expected IRR 25%	Eastern Europe	73
EM Loan Securitization	Senior secured loans / revolving lines of credit in Asia; expected IRR 32%	non-Japan Asia/Middle East	63
Private Company	Private label veterinary pharmaceutical maker; credit line with equity kicker	Czech Republic	57
Private Company	Generic Pharmaceutical Maker; credit line with equity kicker	Bulgaria	40
Regional Leasing Company	Middle market financing of healthcare assets (MRI/CT)	Hungary - Romania	15
		Sub-total \$	1,410
<b>Real Estate and Related Securities</b>			
Real Estate (shopping center)	Commercial real estate	Turkey	\$ 900
Real Estate (commercial)	Office building	Bratislava, Slovakia	220
Real Estate (resort/hotel)	Winter sports and tourist center	Rhodopes Mountain, Bulgaria	204
Real Estate (commercial)	Office building	Bucharest, Romania	92
Real Estate (commercial)	Office building	Prague, Czech Republic	90
Real Estate (commercial)	Commercial, administrative, residential complex	Sofia, Bulgaria	90
Real Estate (multi-use)	Residential, administrative, retail & public/commercial areas	Varna, Bulgaria	50
Real Estate (multi-use)	Residential, administrative, retail complex	Sofia, Bulgaria	50
Logistics Center	Logistics center	Krivina, Bulgaria	24
Real Estate (commercial)	Office building	Sofia, Bulgaria	12
		Sub-total \$	1,732
<b>Infrastructure Assets</b>			
Highway Concession	Construction & operation of Struma highway; provide line of credit with a 20-40% equity kicker	Bulgaria - Greece	\$ 121
Pipeline	Black Sea to Adriatic Pipeline Project; credit line	Black Sea - Adriatic Sea	100
Waste Management Plant	Recycling of waste and waste disposal for Varna region	Varna, Bulgaria	97
Shipping Project	Private port for ferryboat, general cargo, liquid cargo, packed cargo & container terminal	Turkey - Balkans	27
Shipping Project	Eastern inland navigation and maritime navigation	Bulgaria - Romania - Moldova - Ukraine	5
		Sub-total \$	350
		Total \$	3,492

Note: The table above illustrates potential investment opportunities that have been identified for potential purchase by Arco as of September 30, 2006. None of these transactions are subject to binding purchase agreements and the decision to invest in any of these opportunities will be made only after the completion of due diligence and the negotiation of definitive documentation. There can be no assurance that any of these opportunities will become investments for Arco.

Source: Gramercy

Arco Capital Corporation



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## Investment Strategy

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- Invest in high yielding investments and products
  - Structured credit
  - Real estate (equity and debt)
  - Infrastructure
  - Leveraged finance
  - Opportunistic lending
- Target regions and countries where Arco has significant long term relationships with local partners
- Invest in countries and regions where we are able to price risk accurately
- Focus on countries with an S&P country credit rating of BB or higher
- Target U.S. dollar and Euro denominated investments
- Minimize currency and interest rate risks

# Target Investments

*Arco will seek to build a portfolio of high yielding, structured finance products and assets*

- Structured Credit
  - CDOs
  - CLOs
- Real Estate and Related Securities
  - Equity
  - Mezzanine
  - Senior Debt
  - MBS
- Infrastructure Assets
  - Public assets (roads, bridges, etc.)
  - Private assets (pipelines, terminals, etc.)
- Leveraged Finance
  - Corporate Mezzanine Loans
  - Senior and Subordinated Loans
  - Select Equity Investments

*Maintaining a portfolio that spans the capital stack provides diversification and stable returns*

# Model Portfolio

Asset Class	Indicative Asset Allocation	Underlying Asset LTV	Investment LIBOR Spread	Investment Leverage	Leveraged Returns
Structured Credit	30% - 40%	20% - 80%	1200 - 1600 bps	0.0 - 2.0x	20% - 30%
Real Estate	20% - 30%	60% - 85%	550 - 700 bps	3.0 - 4.0x	18% - 40%
Infrastructure	15% - 20%	50% - 90%	300 - 500 bps	2.0 - 4.0x	15% - 25%
Leveraged Finance	10% - 15%	25% - 75%	300 - 1000 bps	2.0 - 4.0x	20% - 30%

Note: The information included on this page is a model portfolio and does not represent any actual Arco performance. Arco will commence operations only after the closing of the offering. The model portfolio returns are hypothetical returns based upon an allocation of assets among various potential asset classes, and do not reflect actual results. These returns do not reflect the impact of actual economic and market factors. The spreads and the returns have been calculated by using historical spreads and returns experienced by affiliates of Arco from the asset categories presented and other market information. The indicative weightings may be changed from time to time. Therefore, return information does not represent the results that an investor in Arco will receive. The results an investor in Arco will receive will depend, to a significant degree, on the asset categories actually selected from time to time and the actual performance of such assets. The actual performance of Arco will be subject to a variety of risk and uncertainties. All return information is presented before taking into account Arco's underlying fees and expenses.

## Target Markets

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*Arco will target emerging markets that have the following characteristics:*

- Vast experience in those jurisdictions
- Strong economic fundamentals
- Rational FX policy
- Stable political environment
- Developed and predictable legal systems
- Need for liquidity in strategic sectors
- Need for improved infrastructure
- Meets identified return parameters
- Recognized growth potential
- Historical willingness to pay debts



# Credit Analysis

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*Arco's underwriting will benefit from the vast experience and resources of Gramercy*

- Collateral Analysis
  - Default rates, recoveries, ability to finance, liquidity, issuer or manager, etc.
- Sovereign Analysis
  - Debt rating, event risk, legal system, political stability, etc.
- Sector Analysis
  - Market conditions, demographics, stability, macro trends, etc.
- Structural Analysis
  - Capital structure, covenants, legal remedies, etc.

# Effective Debt and Interest Rate Management

Asset Class	Short-Term Financing	Long-Term Financing
Structured Credit	Warehouse / Repo	CDOs / CLOs
Real Estate (Equity and Debt)	Secured / Repo	Secured Term Financing
Infrastructure	Secured / Repo	Secured Term Financing
Leveraged Finance	Warehouse / Repo	CDOs / Secured Term Financing

*Arco will employ a disciplined leverage strategy to enhance returns using proven underwriting criteria to balance risk*

# Long Term Business Model

*Arco's long-term business plan is to create a series of sponsored vehicles that generate attractive returns to shareholders and high quality management fee income*

## ▪ Phase I

- Arco will deploy its initial capital over an anticipated 1-3 month investment horizon
- Use balance sheet to aggregate assets and maximize cash flows
- Develop track record and platform
- Acquire greater origination and servicing platforms

## ▪ Phase II

- Optimize asset allocation mix to boost returns
- Secure permanent/cost efficient internal financing
- Focus on enhancing Arco's long-term return-on-equity

## ▪ Phase III

- To the extent that our manager believes that Arco's shareholder value will increase in the mid/long term, sell assets to permanently capitalized vehicles
  - Closed-end funds
  - Open ended funds
  - Advised REITs
  - Other permanent capital vehicles
- Develop income streams that are not tied to underlying asset performance

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## Overview of the Manager

Arco Capital Corporation



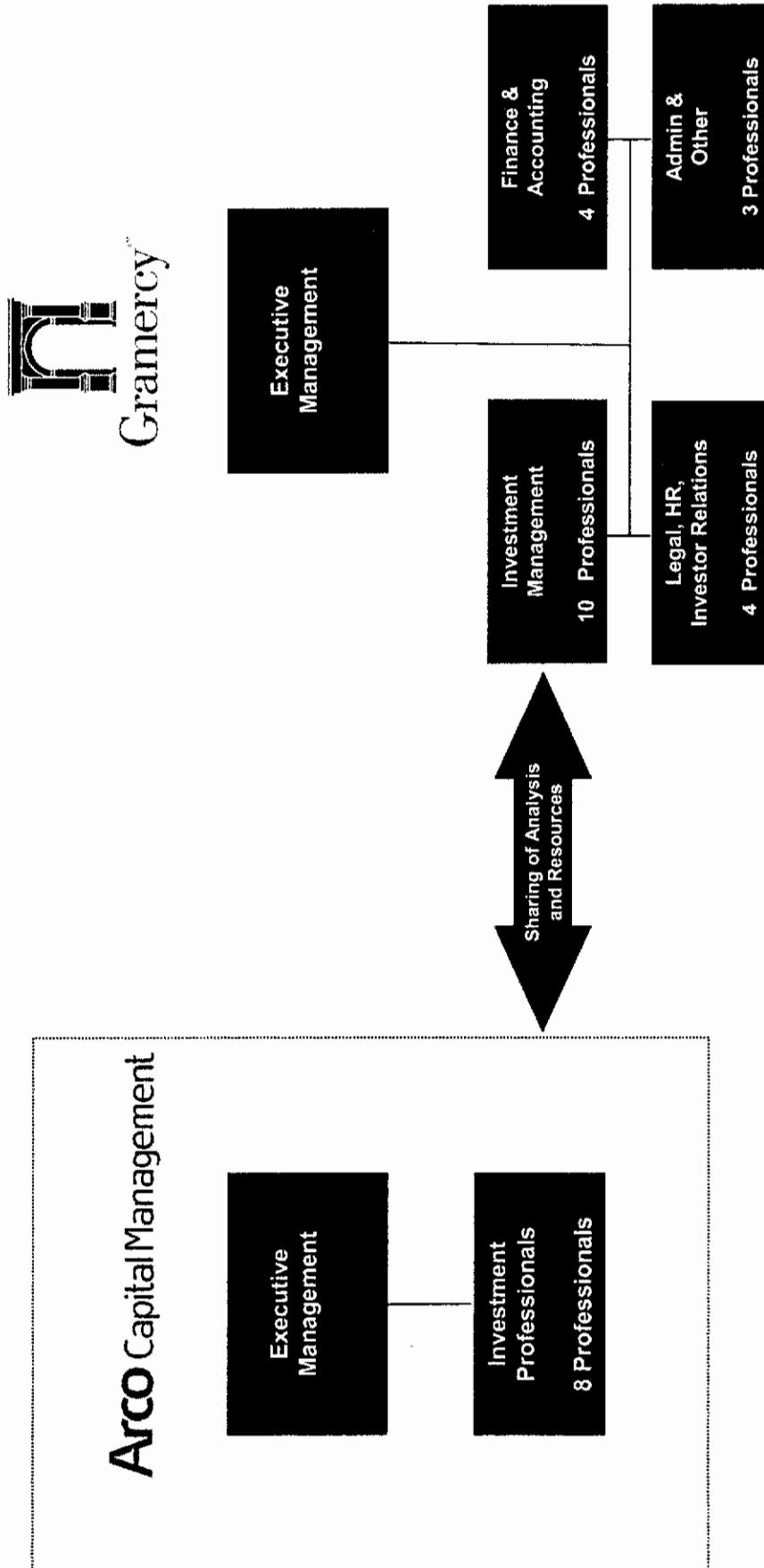
## Arco Capital Management

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- Arco advised and externally managed by Arco Capital Management (“ACM” or “our manager”) while utilizing Gramercy’s full service platform
- Leverage Gramercy’s deep familiarity with a market or credit event and vigorously participate to shape the eventual outcome
- Blend an opportunistic acquisition strategy with risk management expertise to deliver consistent return on equity with muted downside deviation
- As the external advisor, ACM will provide all of the resources required to invest capital, asset manage and provide required reporting and investor relations
- Headquartered in San Juan, Puerto Rico with office locations in Europe and Latin America
- Envisioned Fee structure
  - Base fee: calculated as a percentage of equity, excluding unrealized gains/losses
    - 1.75% up to \$500 million, plus
    - 1.50% between \$500 million and \$1 billion, plus
    - 1.25% over \$1 billion
  - Quarterly incentive fee: 25% of FFO in excess of the hurdle equal to the greater of:
    - 10.0% (annualized), or
    - Ten-year Treasury + 300 bps (annualized)
- Alignment of interests
  - Significant management investment of approximately \$10 million



## Depth of Resources



# Arco Capital Management – Executive Management

## Jay Johnston

Mr. Johnston is Co-Managing Partner of Gramercy. For the past 7 years Mr. Johnston has co-managed the portfolio investments of the Gramercy Emerging Markets Fund (GEMF) as well as other parallel managed accounts. Prior to joining Gramercy in September 1999, Mr. Johnston was Managing Director and Head of Emerging Markets Fixed Income Sales at Deutsche Bank Securities, Inc. from 1998-1999 where he successfully managed a 13-person sales group that brought Deutsche Bank's presence in the market from 13th to 6th. From 1996-1998, he was Senior Vice President at Lehman Brothers where he was the top producing EM salesperson and ranked second in the firm globally in sales production. From 1984-1996, Mr. Johnston worked in institutional fixed income, emerging market and high yield sales at a variety of institutions including ING Baring Securities, Inc., Oppenheimer & Company, Inc. and Dean Witter Reynolds, Inc. Prior to that, he was a Portfolio Manager at Patterson Capital Corporation responsible for managing a \$1.3 Billion portfolio of Mortgage Backed Securities for a variety of U.S. Savings and Loans (1983-1984). Mr. Johnston received a BS in Finance at the University of Florida (honors) and is a registered Principal of the NASD (series 3, 7, 24, 63).

## Francesco Piovanetti

Mr. Piovanetti is a Managing Director at Gramercy. He has over 11 years of experience working in various areas of corporate finance, capital markets and investment banking. Prior to joining Gramercy, he was a Director at Deutsche Bank AG, New York in their Structured Capital Markets Group responsible for developing, managing and executing proprietary and client arbitrage transactions. Previously, he was a Senior Analyst in Deloitte & Touche's Corporate Finance Group where he consulted in the areas of commercial lending, mergers and acquisitions, management buyouts, capital sourcing and valuation services. Mr. Piovanetti received a BA/BS in Economics and Finance at Bryant College, an MBA in Finance at Columbia Business School and is a registered representative of the NASD (series 7, 63).

Arco Capital Corporation



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# Arco Capital Management – Executive Management

## Robert Koenigsberger

Mr. Koenigsberger is the Founder of Gramercy and has more than 18 years of investment experience in emerging markets fixed income securities. Since 1998, he has been a Co-Managing Partner of Gramercy. From 1995 to 1998, he was a Senior Vice President at Lehman Brothers, where he managed the bank's Sovereign Debt restructuring group. From 1992 to 1995, Mr. Koenigsberger was a Vice President at Merrill Lynch, Pierce, Fenner & Smith Incorporated where he traded emerging market debt securities in New York, London and Hong Kong. From 1987 to 1991, he was Vice President at CR-P Associates, a financial advisory firm with offices in Central and South America that was directly involved in sovereign debt restructurings, debt buy-backs, and debt-equity swap transactions in Latin America. Mr. Koenigsberger received a BA in Political Science and History at University of California, San Diego, an MA in International Studies at the University of Pennsylvania and an MBA in Finance at The Wharton School. He is a registered representative of the NASD (series 7, 63).

## Scott Seaman

Mr. Seaman is Chief Operating Officer of Gramercy. Prior to joining Gramercy in June 2002 as its Chief Financial and Operating Officer, Mr. Seaman was the Chief Operating Officer and Chief Financial Officer of J.P. Morgan Fleming Asset Management's Hedge Funds Group and Real Estate Investment Group, from 1999-2002, with responsibility for business growth and operational integrity. Previously, in 1998, he was Manager of the Emerging Markets Strategic Planning Group at J.P. Morgan Securities Inc., responsible for building a global office network. From 1992 to 1997, Mr. Seaman was the head of Emerging Markets Business Analysis and Development, J.P. Morgan Securities, Inc., where he was instrumental in building new products and managing a complex control structure. Prior to joining J.P. Morgan Securities, Inc., he was a Vice President in the J.P. Morgan & Co. Audit Group, where he specialized in management consulting to new and rapidly growing sales and trading businesses from 1986 to 1992. Mr. Seaman was a Senior Audit Analyst at Ernst & Whinney from 1984 to 1986. Mr. Seaman received a BS in Accounting at Long Island University – CW Post Center School of Professional Accountancy (summa cum laude) and an MBA in Finance at New York University – Stern Graduate School of Business. He is a CPA and a registered representative of the NASD (series 7, 63).

Arco Capital Corporation



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# Gramercy – Executive Management Support

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## Robert Rauch

Mr. Rauch oversees research and the corporate restructuring activities of Gramercy. He has been, or is currently involved, as a leading creditor or advisor in the restructuring of numerous companies in Asia and Latin America including Accel, Alestra, Asia Pulp and Paper, Dina, Durango, Essar Steel, Iusacell, Mechala, Medefin, San Luis, Salmex, SIDEK, Synkro, and Transtel. Prior to joining Gramercy in January 2001, Mr. Rauch worked as a consultant to hedge funds managed by Van Eck Global and Farallon Capital Management, specializing in the analysis of emerging markets special situations. From 1994 to 1999, Mr. Rauch was President of The Weston Group, where he was responsible for overseeing the firm's securities research and brokerage activities focusing on Latin America. Mr. Rauch also served as an advisor to various issuers and note holders in the restructuring of corporate debt arrangements, and was an advisor to Mexico's VVA. In the early 1990s, Mr. Rauch worked as a Vice President with Lehman Brothers and CS First Boston in their emerging market fixed income trading groups. In the second half of the 1980s, he was a Vice President and trader with First Interstate Bank's loan syndications group, where he was responsible for structuring and syndicating loan facilities to highly-leveraged American and Asian corporations. In 1980, he began his career with Swiss Bank Corporation in several credit and corporate finance roles. Mr. Rauch received a BA in Political Economy at Williams College and an MM in Finance and International Business at Northwestern University – Kellogg Graduate School of Management. He is a Member of the American Bankruptcy Institute and is a registered representative of the NASD (series 7, 24, 63).

## Competitive Advantage

- Invest predominantly in opportunistic assets across select emerging markets
- Unique strategy differs from other managers by strong focus on analyzing credit risk, monitoring our portfolio investments and maintaining sufficient liquidity
- Proven and consistent absolute returns yielding unlevered 15.4%<sup>1</sup> net compound annual return net of all fees since April 1999 (GEMF inception)
- September 2006 year-to-date GEMF returns of 19.3%<sup>2</sup>, net of all fees and expenses
- Superior track record that will offer low correlation to traditional asset classes and to long-only emerging market debt managers
- Consistent out-performance of indices by generating risk-adjusted returns
- Limited competition for interesting emerging market investments provides "buying-right opportunities" at appealing valuations
- Deep relationships in local markets
- Proven expertise in maximizing upside appreciation while managing downside risk

### Credit Specialists

### Consistent Absolute Returns

### Low Correlation

### Expertise on Both the Long and Short Side

### Buying Power

### Intensive Risk Management



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## Historical Case Studies

Arco Capital Corporation



## Case Study - Sopharma JSCo.

- Name: Sopharma JSCo.
- Business: Pharmaceuticals
- Location: Bulgaria
- Sales: EUR 70 million
- Opportunity: Value creating re-capitalization, future partner
- Key Multiples: EV/EBITDA 11.5x, P/E 13.0x, and P/B 3.0x



- Sopharma is a leading Bulgarian pharmaceutical producer with a significant export presence in Eastern Europe, including Russia
- The stock trades at a significant discount to international comparables along most valuation metrics and has an estimated 2006 dividend yield of approximately 4%
- Our initial position of 7.6% of the stock was purchased in a block trade from the controlling shareholder and will permit a pay down of inter-company accounts owed to Sopharma
- We have met with controlling shareholders on various matters including a corporate reorganization, future financings, potential acquisitions, and investment plans
- Our gross realized and unrealized return since our January 2006 investment has been 48%, including currency fluctuations
- We continue to look for ways to add value to Sopharma, including discussions of future partnering on acquisitions in the region

*Note: The return percentage illustrated represents the sum of gross proceeds from security sales, unrealized gains on price appreciation of current holdings and dividends received over total purchases. All amounts are inclusive of foreign exchange gains/losses and were calculated for the period 1/1/06 through 9/30/06.*

## Case Study - Compañía de Desarrollo Aeropuerto El Dorado



- Name: Compañía de Desarrollo Aeropuerto El Dorado (CODAD)
- Business: Airport Project Finance
- Location: Colombia
- Sales: USD 100 million
- Opportunity: "Stranded" issue, low information flow had created perception of distress
- Key Multiples: Debt Service Coverage 1.5x
- We were contacted by large holder looking to sell; we determined that depressed prices were the result of poor information flow and not operational distress
- Debt service guaranteed by Colombian government
- We contacted the issuer and facilitated its renewal of investor relations by putting them in contact with the trustee and certain key investors
- We also proactively marketed the idea to new investors, essentially becoming the market-maker in the issue
- Our initial purchase was at 52% of par in May 2000
- Our final exit of the position in September 2002 was at 79% of par
- Total gross return on the transaction inclusive of various purchases made and interest/incremental pay-downs received was in excess of 26%

*Note: The return percentage illustrated represents total gross proceeds received from sales, returns of capital and interest income over total purchases.*

**Arco** Capital Corporation



Craneberry

## Case Study - Bulgarian Telecommunications Company AD



- **Name:** Bulgarian Telecommunications Company AD (BTC)
- **Business:** Telecommunication services operator
- **Location:** Bulgaria
- **Sales:** EUR 520 million
- **Opportunity:** Opportunity to buy shares with undervalued government obligations
- **Key Multiples:** EV/EBITDA 6.0x, P/B 2.5x, and P/Sales 2.8x
- BTC is the incumbent fixed-line telecommunications company in Bulgaria and the newest entrant into the rapidly growing mobile telecommunications segment
- The government sold a 65% stake to a private equity consortium in 2004
- We participated in the subsequent auction of 35% of the company through the Bulgarian stock exchange in January 2005
- Participation in the auction required shares be paid for with government compensatory instruments (CIs)
- We accumulated the position in the CIs at an average price of 50% of par
- BTC has begun to rationalize operations, reduce costs, and improve revenue generation
- We sold our stake to a strategic investor at a price of 10.67 Lev for a total return of 57%

*Note: The return percentage illustrated represents total gross proceeds from security sales and dividends received over total purchases. All amounts are inclusive of foreign exchange gains/losses and were calculated for the period 1/1/05 through 9/30/06.*

## Case Study - Prista Oil



- **Name:** Prista Oil ("Prista")
- **Businesses:** Producer of Motor and Industrial Oils
- **Locations:** Bulgaria, Romania, Turkey, Macedonia, Serbia, Montenegro, Hungary, Slovakia, Ukraine, Greece, Bosnia and Herzegovina, Croatia, and Albania
- **Sales:** EUR 350 million
- **Opportunity:** Prista was seeking a financial partner to recapitalize the group in order to buy-out Texaco and fund imminent acquisition opportunities
- **Key Multiples:** EV/EBITDA 8.5x, P/E 12.0x, and P/Sales 1.0x
- We took a 25% stake in Prista for EUR 24mm as of July 2006 and have provided a EUR 20mm commitment for further expansions
- Prista was looking for a partner to support a corporate reorganization that aims to rationalize ownership and simplify the capital structure in order to more effectively grow the business, access the international capital markets, and maximize value
- Market leader in Bulgaria and Macedonia, with substantial market share in Romania and Turkey and operations in the Ukraine, Hungary, Serbia and Montenegro
- Secondary business is leading supplier of heavy duty batteries in Bulgaria through its subsidiary Monbat
- Regional growth opportunity as rising incomes drive higher expenditures on personal transportation
- Strong track record of organic growth as well as savvy acquisitions



## Case Study – DZI AD

- Name: DZI AD
- Business: Financial Services (Insurance, Banking)
- Location: Bulgaria
- Sales: EUR 130 million gross premiums written annually
- Opportunity: Strategic sale of Banking unit to realize value, market leader in growing insurance market
- Key Multiples: Market Cap to Gross Premiums 1.7x (1.1x net of bank), P/E 24.9x, and P/B 4.0x
- DZI is the market leader in general and life insurance in Bulgaria with a 20% and 30% market share respectively.
- The Bulgarian insurance market is in a high growth phase with 2005 annual growth of 48% in life insurance and 25% in general insurance. Market penetration remains very low at 0.36% for life insurance and 2.19% for general insurance.
- DZI Bank, a 50.1% subsidiary, was recently sold for an equity valuation of EUR212 million or 6.8x P/B, realizing our thesis of the embedded value.
- Our gross return since its June 2006 investment has been 61%. Post the recent sale of the Banking unit, we intend to exit the position as we see the insurance operations as fairly valued.

*Note: Since its initial purchase in June 2006, Gramercy has not recorded any sales associated with DZI. The return percentage illustrated represents total unrealized gains over total purchases. All amounts are inclusive of foreign exchange gains/losses and were calculated for the period 6/1/06 through the Bank sale transaction 10/4/06.*

**Arco Capital Corporation**



Gramercy

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## Market Overview and Case Studies

Arco Capital Corporation



## CEEC Real Estate Development and Finance

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- Numerous countries in Central and Eastern Europe are slated for EU accession
- Real estate yields of second-wave accession candidates remain in the 10% range and are expected to compress towards the 7-7.5% range seen today in recent EU accession countries
- Multinationals seeking to move operations to the region to take advantage of low-cost, well educated workforce
- Square meter Class A building costs are generally less than one third of those found in Western Europe while occupancy rates approach one hundred percent
- Banking system is fragmented and not well capitalized; creative financial solutions needed
- Financing is scarce even for top quality projects allowing for favorable capital terms
- Arco will attempt to take advantage via opportunistic mortgage and corporate lending and direct equity investments in attractive projects

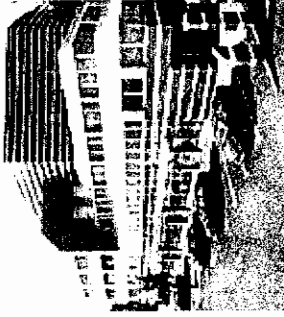
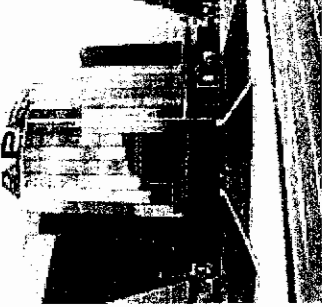
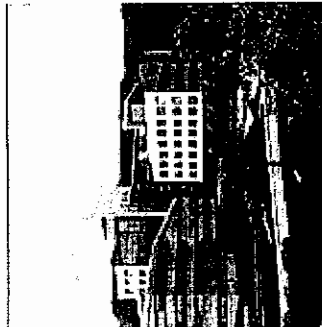
CEEC: The European Committee of Construction Economists

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## Case Study - Business Park Sofia



- Name: Business Park Sofia
- Property Type: Office, Retail, Storage
- Location: Sofia, Bulgaria
- Size: 194,462 square meters (13 buildings)
- 39% anticipated IRR
- Purchase price is EUR 180mm
- We positioned ourselves among the short list of bidders for the project and succeeded in winning the auction without paying the highest offered price; we anticipate extending secured mezzanine debt financing simultaneous to the purchase closing in late October 2006
- Located in the suburbs of Sofia with easy access to the international airport, downtown and a planned subway stop in 2009
- Represents a substantial share of Sofia's office market and is the largest supply of Class A office space, effectively filling the role of "market-maker" for such space
- Existing buildings are currently 100% occupied and have all been nearly 100% pre-leased during construction
- Strong tenant base, including Hewlett-Packard, Cisco Systems, Sony, Porsche, Kraft Food, Ernst & Young, among others
- Long-term prospects for the park are encouraging, as demand for Class A office space continues to outpace supply and rents continue to rise in Sofia

## Bank Loans/Securitization Market

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- In a trend started by JP Morgan in 2002, an increasing number of commercial banks are trying to offload the credit risk of their loan portfolios to improve regulatory capital ratios
- Securitization programs are a method of choice for selling credit risk when the underlying portfolio contains illiquid credits (a typical case in bank loan portfolios)
- As is the case with on-the-run structured credit products, this collateralized loan obligations market has been growing at a CAGR of more than 30%
- The market growth rates are seen as sustainable for years to come as the top bulge bracket banks with significant balance sheets are joined by their smaller counterparts in selling the credit risk of their loan portfolios
- Some researchers estimate that less than 2% of the bank loans have currently been securitized
- Experienced credit managers can take advantage of this growth in volume by identifying the “best” (from a risk/reward perspective) transactions either among many available offerings in the CLO space or privately negotiated deals with banks’ loan risk management groups
- High risk premiums exist for investors in the EM CLO space owing to the illiquidity of bank loan portfolios as well as the presence of emerging market assets in the underlying pools
- Significant mispricing exist for emerging market assets due to a lack of liquidity or very high investor risk premiums

Source: Gramercy

**Arco** Capital Corporation



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## Case Study – European Bank Loan Portfolio

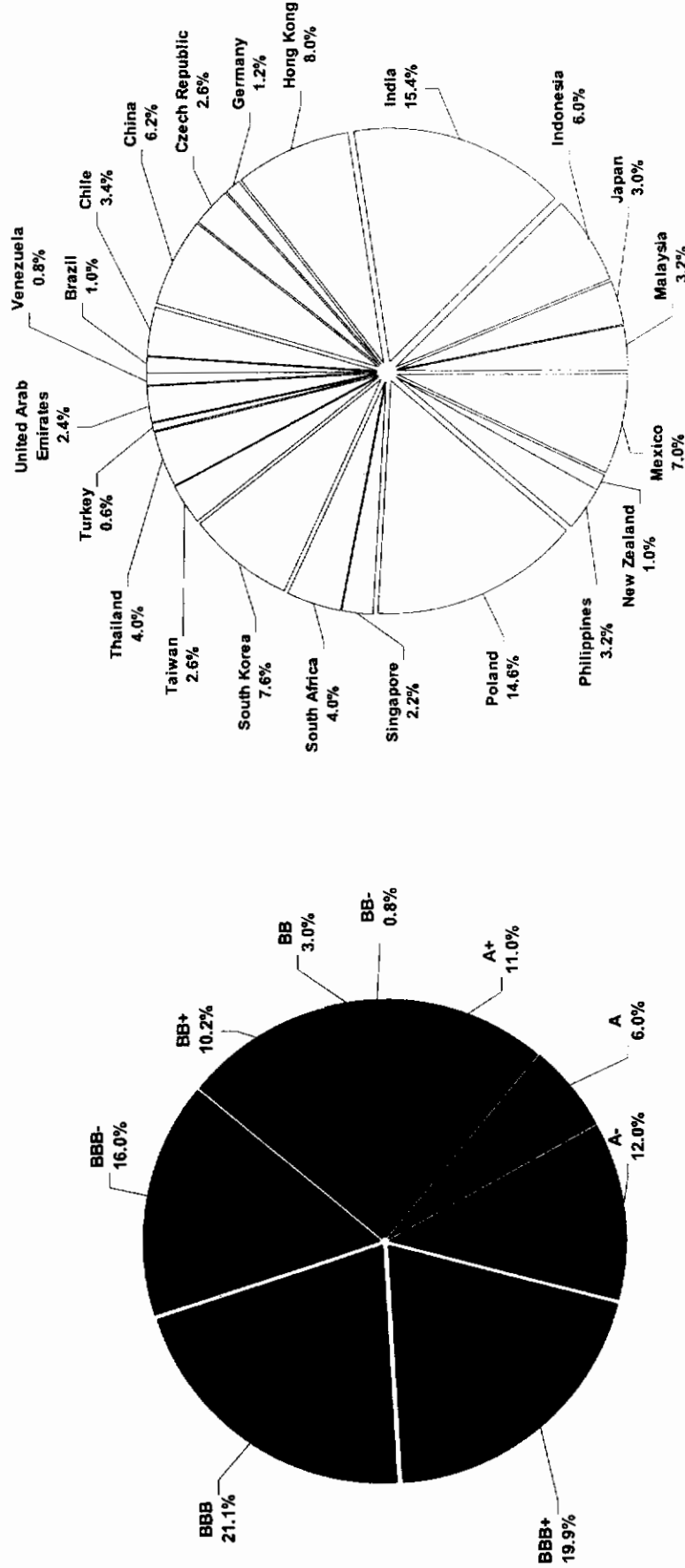
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*Synthetic collateralized loan obligation transaction created through a partnership with the European bank*

- \$500 million of total collateral
- 77 distinct loans
- Weighted average credit rating of BBB-
- \$452 million of loans are rated investment grade
- Equity tranche size \$30 million
- Equity tranche pricing - risky coupon of 22% over Libor
- Equivalent 6-year maturity portfolio default swap spread is approximately 113 bps

# Case Study – European Bank Loan Portfolio

## Asset Pool Characteristics - Distribution by Country and Obligor Rating



# Case Study – European Bank Loan Portfolio

*Scenario analysis of IRRs on Equity Tranche with respect to realized default probabilities and recoveries*

IRR Analysis		Annualized Probabilities of Default										
		0.00%	0.10%	0.20%	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%
Recovery Rates	0.00%	23.81%	22.47%	21.06%	19.56%	17.96%	16.25%	14.39%	12.35%	10.09%	7.54%	4.56%
	10.00%	23.81%	22.61%	21.34%	20.02%	18.61%	17.12%	15.52%	13.80%	11.92%	9.85%	7.54%
	20.00%	23.81%	22.74%	21.63%	20.47%	19.25%	17.96%	16.60%	15.15%	13.60%	11.92%	10.09%
	30.00%	23.81%	22.88%	21.91%	20.91%	19.86%	18.77%	17.63%	16.42%	15.15%	13.80%	12.35%
	40.00%	23.81%	23.01%	22.19%	21.34%	20.47%	19.56%	18.61%	17.63%	16.60%	15.52%	14.39%
	50.00%	23.81%	23.15%	22.47%	21.77%	21.06%	20.32%	19.56%	18.77%	17.96%	17.12%	16.25%
	60.00%	23.81%	23.28%	22.74%	22.19%	21.63%	21.06%	20.47%	19.86%	19.25%	18.61%	17.96%
	70.00%	23.81%	23.41%	23.01%	22.61%	22.19%	21.77%	21.34%	20.91%	20.47%	20.02%	19.56%
	80.00%	23.81%	23.55%	23.28%	23.01%	22.74%	22.47%	22.19%	21.91%	21.63%	21.34%	21.06%
	90.00%	23.81%	23.68%	23.55%	23.41%	23.28%	23.15%	23.01%	22.88%	22.74%	22.61%	22.47%
100.00%	23.81%	23.81%	23.81%	23.81%	23.81%	23.81%	23.81%	23.81%	23.81%	23.81%	23.81%	

Above analysis done with a "risky coupon" of 98 basis point paid on the surviving notional amount of the entire loan pool.

Probabilities of default are taken as constant year over year through the life of the deal.

Quoted IRR takes into account the effect of compounding according to given day count convention and periodicity of payments.

## Case Study – Asian Bank Loan Portfolio

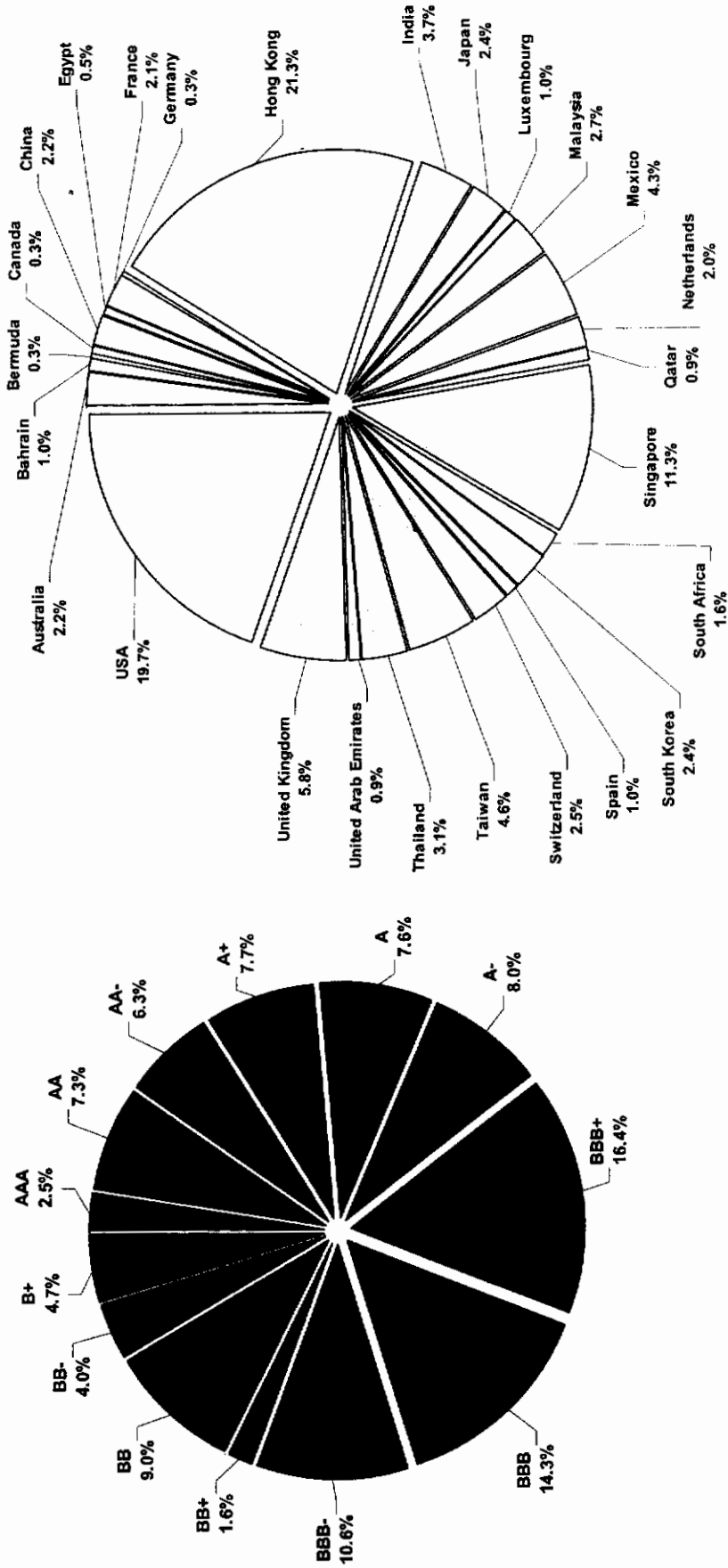
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*Synthetic collateralized loan obligation transaction created through a partnership with the Asian bank*

- \$1.5 billion of total collateral
- 185 distinct loans
- Weighted average credit rating of BBB
- \$1.2 billion of the collateral is rated investment grade
- Equity tranche size \$55 million
- Equity tranche pricing - risky coupon of 27% over Libor
- Equivalent 5-year maturity portfolio default swap spread is approximately 83 bps

# Case Study – Asian Bank Loan Portfolio

## Asset Pool Characteristics - Distribution by Country and Obligor Rating



# Case Study – Asian Bank Loan Portfolio

*Scenario analysis of IRRs on Equity Tranche with respect to realized default probabilities and recoveries*

IRR Analysis		Annualized Probabilities of Default										
		0.00%	0.10%	0.20%	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%
Recovery Rates	0.00%	36.10%	32.26%	28.06%	23.40%	18.10%	11.84%	3.93%	-7.66%	NA	NA	NA
	10.00%	36.10%	32.66%	28.94%	24.86%	20.32%	15.12%	8.93%	1.02%	-11.02%	NA	NA
	20.00%	36.10%	33.05%	29.79%	26.26%	22.40%	18.10%	13.19%	7.36%	-0.03%	-11.02%	NA
	30.00%	36.10%	33.44%	30.63%	27.62%	24.38%	20.85%	16.94%	12.52%	7.36%	1.02%	-7.66%
	40.00%	36.10%	33.83%	31.45%	28.94%	26.26%	23.40%	20.32%	16.94%	13.19%	8.93%	3.93%
	50.00%	36.10%	34.22%	32.26%	30.21%	28.06%	25.80%	23.40%	20.85%	18.10%	15.12%	11.84%
	60.00%	36.10%	34.60%	33.05%	31.45%	29.79%	28.06%	26.26%	24.38%	22.40%	20.32%	18.10%
	70.00%	36.10%	34.98%	33.83%	32.66%	31.45%	30.21%	28.94%	27.62%	26.26%	24.86%	23.40%
	80.00%	36.10%	35.35%	34.60%	33.83%	33.05%	32.26%	31.45%	30.63%	29.79%	28.94%	28.06%
	90.00%	36.10%	35.73%	35.35%	34.98%	34.60%	34.22%	33.83%	33.44%	33.05%	32.66%	32.26%
100.00%	36.10%	36.10%	36.10%	36.10%	36.10%	36.10%	36.10%	36.10%	36.10%	36.10%	36.10%	

Above analysis done with a "risky coupon" of 26.36% being paid on the equity tranche.

Probabilities of default are taken as constant year over year through the life of the deal.

Quoted IRR takes into account the effect of compounding according to given day count convention and periodicity of payments.



## Leveraged Finance Market

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- Strong economic growth in generally price stable environments is powering a dynamic private sector
- Public equity markets under-represent the economies as a whole - sectors of activity are only accessible to the international investor through private transactions
- Rational tax structures make equity-investing attractive
- Leveraged Finance activities in EM countries have, until now, been focused on privatizations and large scale buy-outs
- Such transactions have absorbed upwards of 70% of committed capital; international private equity investors have almost solely focused on such transactions to date
- Local private equity investors lack the appropriate skills in corporate finance and management to meet the needs of growing, entrepreneurial companies
- There are identifiable private sector companies with strong operational management that lack access to corporate finance and organizational expertise
- These established operators are seeking not only capital for growth, but also support to create capital and corporate structures in-line with international best practices with an eye to realizing value in the international markets in the future
- These enterprises present a compelling combination of value and growth for the properly placed investor

Source: Gramercy

**Arco** Capital Corporation



Gramercy

## Endnotes

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1. Gramercy Emerging Market Fund's investment performance does not represent Arco's investments and should not be used to predict Arco's return. Arco investors may experience results that differ materially from those shown. 15.4% is a net compound annual return based on the compounding of monthly net performance and is net of GEMF's 1% management fee and 20% performance fee structure.
2. Gramercy Emerging Market Fund's investment performance does not represent Arco's investments and should not be used to predict Arco's return. Arco investors may experience results that differ materially from those shown. 19.3% is a net compound return for the period January 2006 – September 2006 based on the compounding of monthly net performance and is net of GEMF's 1% management fee and 20% performance fee structure. This partial year 2006 performance has been independently calculated by IFS but has not yet undergone its full year independent audit.

**Arco** Capital Corporation

